

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 IGA-02 EB-11 CIAE-00 INR-10

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E.O. 11652: N/A

TAGS: EAID, CE

SUBJ: REQUEST FOR BILATERAL ASSISTANCE - SRI LANKA UREA PROJECT

REF: STATE 165369

1. ACTION REQUESTED PARA 5 REFTEL COMPLETED BY CONSULTING SIX OTHER BILATERAL DONORS PLUS TWO LOCAL REPRESENTATIVES OF OBSERVERS AT LAST PARIS CONSORTIUM MEETING. FIVE DONOR REPRESENTATIVES REPORTED NO REACTION YET FROM THEIR GOVTs. CANADIAN INDICATED NEGATIVE DECISION REACHED AND CONVEYED TO GSL AS "NO CAPABILITY TO ASSIST". WEST GERMAN REP, WHO ALSO INDICATED NO RESPONSE YET, HAS HAD INFORMAL INDICATIONS HIS FAVORABLE RECOMMENDATION STILL BEING CONSIDERED. HE TERMED HIS FAVORABLE ANALYSIS NON-TECHNICAL AND BASED ON IMPLICATIONS FOR AGRICULTURE AND IMPORT SUBSTITUTION.

2. ITALIAN AND INDIAN REPS OF OBSERVER NATIONS BOTH INDICATED INTEREST. NO OFFICIAL REPLY FROM ROME BUT UNOFFICIAL INQUIRY RECEIVED FROM SOUTH ASIAN OFFICE SNAM PROGETTI (ASSOCIATES OF ENI) PREVIOUSLY INVOLVED IN BUILDING "PETROLEUM PLANT". ASSUMED THEIR INTEREST IN CONSTRUCTING UREA PLANT AND

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LIKELY THEY WOULD BE URGING ITALIAN GOVT RESPOND

FAVORABLE. INDIAN REP SAID INDIA DEFINITELY
INTERESTED IN PROJECT AND COULD VIRTUALLY GUARANTEE MARKET
FOR MINIMUM 100,000 TONS UREA PER ANNUM. INDIAN GOVT
ALSO VIEWS UREA PRODUCTION POTENTIALLY USEFUL IN REDUCING
SRI LANKA/INDIAN TRADE GAP.

3. PER PARA 5, US "TENTATIVELY NEGATIVE REACTION" AND
REASONS THEREFOR CONVEYED TO OTHER AID DONORS. NO
OBJECTIONS RAISED RE JUDGMENT THAT INVESTMENT (BOTH DOLLARS
AND RUPEES) RATED LOW PRIORITY BECAUSE OF LONG GESTATION
OR THAT GSL RELIANCE ON IMPORTS OF NAPHTA WOULD BE RISKY.
ASSUMPTION THAT FOREIGN EXCHANGE INVESTMENT WOULD
PROBABLY BE DRAWN-DOWN FROM ALREADY COMMITTED ANNUAL
LEVELS OF AID WAS NOT QUESTIONED.

4. THERE WERE SEVERAL SUGGESTIONS THAT DELAYS IN
RESPONDING TO GSL REQUEST FOR ASSISTANCE ARE ATTRIBUTED
TO CIRCULAR PROCESS, I.E., SOLICITED DONOR GOVTS
WAITING FOR FIRM ADB DECISION WHICH IS AWAITING GSL
SUMMARY OF AID DONOR DECISIONS. TO DATE GSL HAS NOT
HAD ANY FIRM OFFER OF ASSISTANCE AND HAS HAD ONLY ONE
NEGATIVE RESPONSE.

5. MISSION IN GENERAL AGREES WITH ANALYSIS IN PARAS
2 AND 4 REFTEL. WHILE PROSPECTS FOR FOREIGN SALES,
ESPECIALLY TO INDIA, MAY BE GOOD IF INDIAN REPS
INFO IS CORRECT, ALL OTHER RESERVATIONS APPEAR
SOUND. WE DO NOT, HOWEVER, WISH TO RULE OUT POSSIBILITY OF
US ASSISTANCE TO UREA PROJECT AND THEREFORE WOULD
PREFER NOT TO CONVEY WASHINGTONS TENTATIVELY NEGATIVE
REACTION TO GSL AT THIS STAGE PENDING FURTHER
CONSIDERATION OF GENERAL US AID SITUATION.

VAN HOLLEN

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